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SUBJECT: KAZAKHSTAN: EXXONMOBIL EXCITED ABOUT NEW NORTH CASPIAN  
EXPLORATION OPPORTUNITY

11. (U) Sensitive but unclassified. Not for public Internet.

12. (SBU) SUMMARY. On October 21, ExxonMobil Kazakhstan's New Business Development Manager Peter Claypool (protect) described to Energy Officer a promising onshore North Caspian development opportunity that ExxonMobil has pursued quietly but persistently for more than three years. ExxonMobil is hopeful that the Government of Kazakhstan will conduct a tender in 2009 for exploration of the site. END SUMMARY.

PALEOZOIC ARCH INTRIGUES EXXONMOBIL

13. (SBU) Claypool told Energy Officer that the North Caspian Paleozoic Arch is an "intriguing geological structure" located approximately 6000 meters below the surface in Mangistau oblast, south of the Tengiz field. Claypool believes there is a strong likelihood that the structure contains significant reserves of oil and gas in deep limestone strata, although appraising the field would be complicated by its depth and pressure, as well as by the presence of impermeable salt barriers that distort seismic testing (but which, conversely, can serve as useful hydrocarbon traps). According to Claypool, an assessment would require use of drilling technology, equipment, and expertise that national oil and gas company KazMunaiGas (KMG) currently does not possess. "They can drill shallow subsurface wells," he said, "but not these deeper, more technically challenging wells."

14. (SBU) Claypool said that ExxonMobil has tried assiduously for three years to secure a technical services agreement with KMG that would enable them to carry out seismic and other diagnostic tests, but the Government of Kazakhstan has been slow to move forward, with its focus increasingly devoted to the complex and time-consuming Kashagan negotiations. However, the government announced that the Kashagan negotiations will conclude by October 25, and recently awarded ConocoPhillips rights to negotiate a contract to explore the N Block, which signaled an end to the government's moratorium on new deals and raised hopes at ExxonMobil that the government will now

move forward with other new exploration projects.

15. (SBU) Claypool told Energy Officer that KMG Exploration and Production signed a two-year agreement in May 2006 with ExxonMobil, designating the North Caspian Paleozoic Arch as an "area of mutual interest" (AMI) and agreeing in principle to cooperate on the exploration and production of oil and gas from the site. The AMI agreement lapsed in April 2008, however, without a tender or contract award. Nevertheless, in January 2008, Minister of Energy and Mineral Resources Sauat Mynbayev and KMG First Vice President Maksat Idenov sent a letter to ExxonMobil reiterating their interest in a partnership to explore the Paleozoic Arch together. ExxonMobil is well aware that Kazakhstan's Subsoil Law gives KMG priority ownership rights to 51 percent of any new exploration and production project. Nevertheless, the company remains eager to work with KMG on exploration of the site.

16. (SBU) Claypool also informed Energy Officer that KMG has been pushing hard to work with ExxonMobil on an oilfield production project outside Kazakhstan in order to acquire greater technical expertise and project management experience, but ExxonMobil has demurred. "We very rarely do joint production with another company," explained Claypool, "and even then, only if the partner is very experienced and has technology or expertise that complements our own. KMG is just not there yet."

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